

**DRAFT ANNUAL BUDGET  
OF  
ELIAS MOTSOLEDI LOCAL MUNICIPALITY**



**2020/21 TO 2022/23  
DRAFT MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS**

## Contents

1	Part 1- Annual Budget .....	7
1.1	MAYORS REPORT .....	ERROR! BOOKMARK NOT DEFINED.
1.2	ANNUAL BUDGET RELATED RESOLUTIONS .....	ERROR! BOOKMARK NOT DEFINED.
a)	Paragraph 2 Principles and pledges.....	Error! Bookmark not defined.
1.3	.....	ERROR! BOOKMARK NOT DEFINED.
1.4	PREFERENTIAL PROCUREMENT POLICY .....	ERROR! BOOKMARK NOT DEFINED.
1.5	EXECUTIVE SUMMARY .....	7
1.6	OPERATING REVENUE FRAMEWORK .....	8
	Table 1 Summary of revenue classified by main revenue source.....	9
	Table 2 Percentage Growth in revenue by main revenue source .....	9
	Table 3 Operating Transfers and Grants Receipts .....	11
	<b>1.4.1 Property Rates .....</b>	<b>11</b>
	1.4.2 SALE OF ELECTRICITY AND IMPACT OF TARIFF INCREASES .....	12
	1.4.3 WASTE REMOVAL AND IMPACT OF TARIFF INCREASE .....	13
	1.4.4 OVERALL IMPACT OF TARIFF INCREASES ON HOUSEHOLDS .....	13
	<b>Table 4 MBRR Table SA14 – Household bills .....</b>	<b>Error! Bookmark not defined.</b>
1.5	OPERATING EXPENDITURE FRAMEWORK .....	13
	Table 5 Summary of operating expenditure by standard classification item .....	14
1.5.1	PRIORITY GIVEN TO REPAIRS AND MAINTENANCE .....	15
	Table 6 Repairs and maintenance per asset class .....	16
1.5.2	FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE .....	16
1.6	CAPITAL EXPENDITURE .....	17
	Table 7 2019/20 Medium-term capital budget per vote .....	17
1.7	ANNUAL BUDGET TABLES.....	18
	Table 8 MBRR Table A1 - Budget Summary .....	18
	Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) .....	20
	Table 10 MBRR Table A3 - Budgeted Financial Performance (by vote) .....	21
	Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) .....	22
	Table 12 MBRR Table A5 - Budgeted Capital Expenditure by standard classification and funding source.....	24
	Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote.....	25
	<b>Table 14 MBRR Table A6 - Budgeted Financial Position .....</b>	<b>26</b>
	<b>Table 15 MBRR Table A7 - Budgeted Cash Flow Statement .....</b>	<b>27</b>

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation .....	28
Table 17 MBRR Table A9 - Asset Management: New and Renewal of existing assets .....	30
.....	<b>Error! Bookmark not defined.</b>
Table 18 MBRR Table A9 - Asset Management: Upgrading of existing assets and total capital expenditure .....	31
.....	<b>Error! Bookmark not defined.</b>
Table 19 MBRR Table A9 - Asset Management: Asset Management.....	32
Table 20 MBRR Table A10 – Service Delivery.....	34
<b>2 PART 2 – SUPPORTING DOCUMENTATION .....</b>	<b>35</b>
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS.....	35
2.1.1 Budget Process Overview.....	35
2.1.2 IDP and Service Delivery and Budget Implementation Plan .....	38
2.1.3 Financial Modelling and Key Planning Drivers .....	39
2.1.4 Community Consultation .....	<b>Error! Bookmark not defined.</b>
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP .....	39
Table 20 MBRR Table SA2 – Matrix Financial Performance Budget (revenue sources and expenditure type and vote).....	<b>Error! Bookmark not defined.</b>
Table 21 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue .....	<b>Error! Bookmark not defined.</b>
Table 22 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure .....	<b>Error! Bookmark not defined.</b>
Table 23 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure .....	<b>Error! Bookmark not defined.</b>
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Table 24 MBRR Table SA7 - Measurable performance objectives.....	<b>Error! Bookmark not defined.</b>
Table 24 MBRR Table SA7 - Measurable performance objectives (continued)	<b>Error! Bookmark not defined.</b>
Table 25 MBRR Table SA10 – Funding measurement.....	<b>Error! Bookmark not defined.</b>
Table 25 MBRR Table SA10 – Funding measurement (continued) ....	<b>Error! Bookmark not defined.</b>
Table 26 MBRR Table SA11 – Property rates summary .....	<b>Error! Bookmark not defined.</b>
Table 27 MBRR Table SA12a – Property rates by Category: Current year.....	<b>Error! Bookmark not defined.</b>

Table 28 MBRR Table SA12b – Property rates by Category: Budget year ..... **Error! Bookmark not defined.**

2.3.1	Free Basic Services: basic social services package for indigent households .....	79
2.4	OVERVIEW OF BUDGET RELATED-POLICIES .....	79
2.4.1	Review of credit control and debt collection procedures/policies .....	79
2.4.2	Asset Management, Infrastructure Investment and Funding Policy .....	79
2.4.3	Budget Policy .....	80
2.4.4	Supply Chain Management Policy .....	80
2.4.5	Budget Virement Policy .....	80
2.4.6	Cash Management and Investment Policy .....	80
2.4.7	Tariff Policies .....	80
2.5	OVERVIEW OF BUDGET ASSUMPTIONS .....	81
	External factors .....	81
	General inflation outlook and its impact on the municipal activities .....	81
	Collection rate for revenue services .....	<b>Error! Bookmark not defined.</b>
	Growth or decline in tax base of the municipality .....	<b>Error! Bookmark not defined.</b>
	Salary increases .....	81
	Impact of national, provincial and local policies .....	81
	Ability of the municipality to spend and deliver on the programmes .....	<b>Error! Bookmark not defined.</b>
2.6	OVERVIEW OF BUDGET FUNDING .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.6.1	Medium-term outlook: operating revenue .....	<b>Error! Bookmark not defined.</b>
	Table 29 Breakdown of the operating revenue over the medium-term .....	<b>Error! Bookmark not defined.</b>
	Table 30 Proposed tariff increases over the medium-term .....	<b>Error! Bookmark not defined.</b>
	Table 31 MBRR SA15 – Detail Investment Information .....	<b>Error! Bookmark not defined.</b>
2.6.2	Medium-term outlook: capital revenue .....	<b>Error! Bookmark not defined.</b>
	Table 33 Sources of capital revenue over the MTREF .....	<b>Error! Bookmark not defined.</b>
	Table 34 MBRR SA17 - Borrowing .....	<b>Error! Bookmark not defined.</b>

2.7 EXPENDITURE ON GRANTS AND RECONCILIATION OF UNSPENT FUNDS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Table 35 MBRR SA18 - Transfers and Grants Receipts .....	<b>Error! Bookmark not defined.</b>
Table 36 MBRR SA19 - Expenditure on transfers and grants expenditure .....	<b>Error! Bookmark not defined.</b>
Table 37 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds.....	<b>Error! Bookmark not defined.</b>
Table 38 MBRR SA21 – Transfers and Grants made by the municipality .....	<b>Error! Bookmark not defined.</b>
2.8 COUNCILORS AND EMPLOYEES BENEFITS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Table 39 MBRR SA22 – Summary of councilor and benefits .....	<b>Error! Bookmark not defined.</b>
Table 40 MBRR SA23 – Salary, allowances & benefits of political office bearer/senior management.....	<b>Error! Bookmark not defined.</b>
Table 41 MBRR SA24 – Summary of personnel number.....	<b>Error! Bookmark not defined.</b>
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Table 42 MBRR SA25 - Budgeted monthly revenue and expenditure.....	<b>Error! Bookmark not defined.</b>
Table 43 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	<b>Error! Bookmark not defined.</b>
Table 44 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	<b>Error! Bookmark not defined.</b>
Table 45 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote) ..	<b>Error! Bookmark not defined.</b>
Table 46 MBRR SA 29 - Budgeted monthly capital expenditure (standard classification) .....	<b>Error! Bookmark not defined.</b>
Table 47 MBRR SA30 - Budgeted monthly cash flow .....	<b>Error! Bookmark not defined.</b>
Table 48 MBRR SA32–List of external mechanisms.....	<b>Error! Bookmark not defined.</b>
2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
<b>Table 49 MBRR Table SA33–Contracts having future budgetary implications ...</b>	<b>Error! Bookmark not defined.</b>
2.11 CAPITAL EXPENDITURE DETAILS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Table 50 MBRR SA 34a - Capital expenditure on new assets by asset class.....	<b>Error! Bookmark not defined.</b>
Table 51 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class .....	<b>Error! Bookmark not defined.</b>
Table 52 MBRR SA34c - Repairs and maintenance expenditure by asset class	<b>Error! Bookmark not defined.</b>
Table 53 MBRR SA34d – Depreciation of Assets.....	<b>Error! Bookmark not defined.</b>

Table 54 MBRR SA34e – Upgrading of Existing Assets..... **Error! Bookmark not defined.**

Table 55 MBRR Table SA35–Future financial implication of the capital budget .... **Error! Bookmark not defined.**

Table 56 MBRR Table SA36–Capital project list..... 79

2.12 LEGISLATION COMPLIANCE STATUS ..... **ERROR! BOOKMARK NOT DEFINED.**

2.13 COMPLIANCE WITH MFMA CIRCULAR 71 ..... **ERROR! BOOKMARK NOT DEFINED.**

2.14 MUNICIPAL MANAGER’S QUALITY CERTIFICATE ..... 79

## ABBREVIATIONS AND ACRONYMS

<b>AO</b>	Accounting Officer	<b>SAPS</b>	South African Police Service
<b>AMR</b>	Automated Meter Reading	<b>SDBIP</b>	Service Delivery Budget Implementation Plan
<b>LED</b>	Local Economic Development	<b>SMME</b>	Small Micro and Medium Enterprises
<b>MEC</b>	Member of the Executive Committee	<b>BPC</b>	Budget Planning Committee
<b>MFMA</b>	Municipal Financial Management Act	<b>CFO</b>	Chief Financial Officer
<b>MIG</b>	Municipal Infrastructure Grant	<b>CPI</b>	Consumer Price Index
<b>MMC</b>	Member of Mayoral Committee	<b>CRRF</b>	Capital Replacement Reserve Fund
<b>MPRA</b>	Municipal Properties Rates Act	<b>DBSA</b>	Development Bank of South Africa
<b>MSA</b>	Municipal Systems Act	<b>DORA</b>	Division of Revenue Act
<b>MTEF</b>	Medium-term Expenditure Framework	<b>DWA</b>	Department of Water Affairs
<b>MTREF</b>	Medium-term Revenue and Expenditure Framework	<b>EE</b>	Employment Equity
<b>NERSA</b>	National Electricity Regulator South Africa	<b>FBS</b>	Free basic services
<b>NGO</b>	Non-Governmental organisations	<b>GDP</b>	Gross domestic product
<b>NKPIs</b>	National Key Performance Indicators	<b>GFS</b>	Government Financial Statistics
<b>OHS</b>	Occupational Health and Safety	<b>GRAP</b>	General Recognised Accounting Practice
<b>OP</b>	Operational Plan	<b>HR</b>	Human Resources
<b>PBO</b>	Public Benefit Organisations	<b>IDP</b>	Integrated Development Strategy
<b>PMS</b>	Performance Management System	<b>IT</b>	Information Technology
<b>PPE</b>	Property Plant and Equipment	<b>KM</b>	Kilometre
<b>PPP</b>	Public Private Partnership	<b>KPA</b>	Key Performance Area
<b>RSC</b>	Regional Services Council	<b>KPI</b>	Key Performance Indicator
<b>SALGA</b>	South African Local Government Association	<b>KWH</b>	Kilowatt
<b>IDP</b>	Integrated Development Plan		

# 1 Part 1- Annual Budget

## 1.1 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 17 of Municipal Finance Management Act (MFMA) requires the municipality to prepare an annual budget in the prescribed format. National Treasury's MFMA circular 99 have been used as guidance for the compilation of the 2020/21 MTREF. The main challenges experienced during the compilation of the 2020/21 MTREF can be summarized as follows

- Ageing and poorly maintained roads and electricity infrastructure
- Salaries and wage increases for municipal staff as well as the need to fill all active vacant positions.
- Limited and/or very minimal surplus anticipated to be realized from operating budget makes it difficult to accommodate all the wards within the area of jurisdiction of the municipality in terms of capital projects implementations

The following budget principles and guidelines directly informed the compilation the 2020/21 MTREF:

- The 2019/20 adjustment budget priorities and targets as well as the base line allocations contained in that adjustment were adopted as the upper limits for the new base lines for the 2020/21 annual budget.
- Tariffs and property rates increases should be affordable and should generally not exceed the inflation as measured by the CPI except where there are price increases in the inputs of services that are beyond the control of the municipality, for example: cost of bulk electricity. In addition, we had to ensure that our tariffs remained or moved towards being cost reflective, and had to take into account the need to address infrastructure backlogs.
- Capital projects and activities funded from external grants are budgeted as per the gazetted amount as outlined in 2020/21 Division of Revenue Act (DoRA).
- In addition to cost containment implemented by the municipality, the following items and allocations thereof had to be kept at minimum level:
  - Consultants and Professional Fees;
  - Special Projects and Events;
  - Refreshments and Entertainment (R2 000 allocated per directorate for the entire financial year);
  - Ad hoc travelling;
  - Subsistence, Travelling and conference fees;
  - Telephone and cell phone subscriptions;
  - Issuing of Material and Store items, and
  - Overtime.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/21 Medium Term Revenue and Expenditure Framework:

**Summary of 2020/21 Medium Term Revenue Expenditure Framework**

<b>SUMMARY OF 2020/21 DRAFT BUDGET</b>			
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>DESCRIPTION</b>	<b>DRAFT BUDGET</b>	<b>INDICATIVE BUDGET</b>	<b>INDICATIVE BUDGET</b>
<b>OPERATING REVENUE</b>	<b>526 821 983</b>	<b>558 332 074</b>	<b>588 979 255</b>
<b>OPERATING EXPENDITURE</b>	<b>510 209 269</b>	<b>525 211 327</b>	<b>553 203 955</b>
<b>TRANSFERS - CAPITAL</b>	<b>74 561 000</b>	<b>77 207 000</b>	<b>72 606 000</b>
<b>SURPLUS/(DEFECIT)</b>	<b>91 173 713</b>	<b>110 327 746</b>	<b>108 381 300</b>
<b>CAPITAL EXPENDITURE</b>	<b>87 440 390</b>	<b>92 694 038</b>	<b>93 482 938</b>

The above table is used as a testing tool for determination of municipal deficit or surplus throughout 2020/21 MTREF and as presented, the budget has a surplus of R91, 174 million; R110, 328 million and R108, 381 million respectively throughout the MTREF period.

Total operating revenue and expenditure for 2020/21 financial year amounts to R510, 209 million and R525 211 million and R553 204 million respectively. The budget increases steadily in the outer years.

**1.2 Operating Revenue Framework**

For Elias Motsoaledi Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of this municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to setting of tariff increases and balancing expenditures against realistically anticipated revenues and prioritization of capital projects as contained in the Integrated Development Plan (i.e. the needs of all wards within Elias Motsoaledi Local Municipality).

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Efficient revenue management, which aims to ensure 85% annual collection rate for property rates and other key service charges;
- Electricity tariff increases that are approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following tables are a summary of the 2020/21 MTREF (classified by main revenue source):

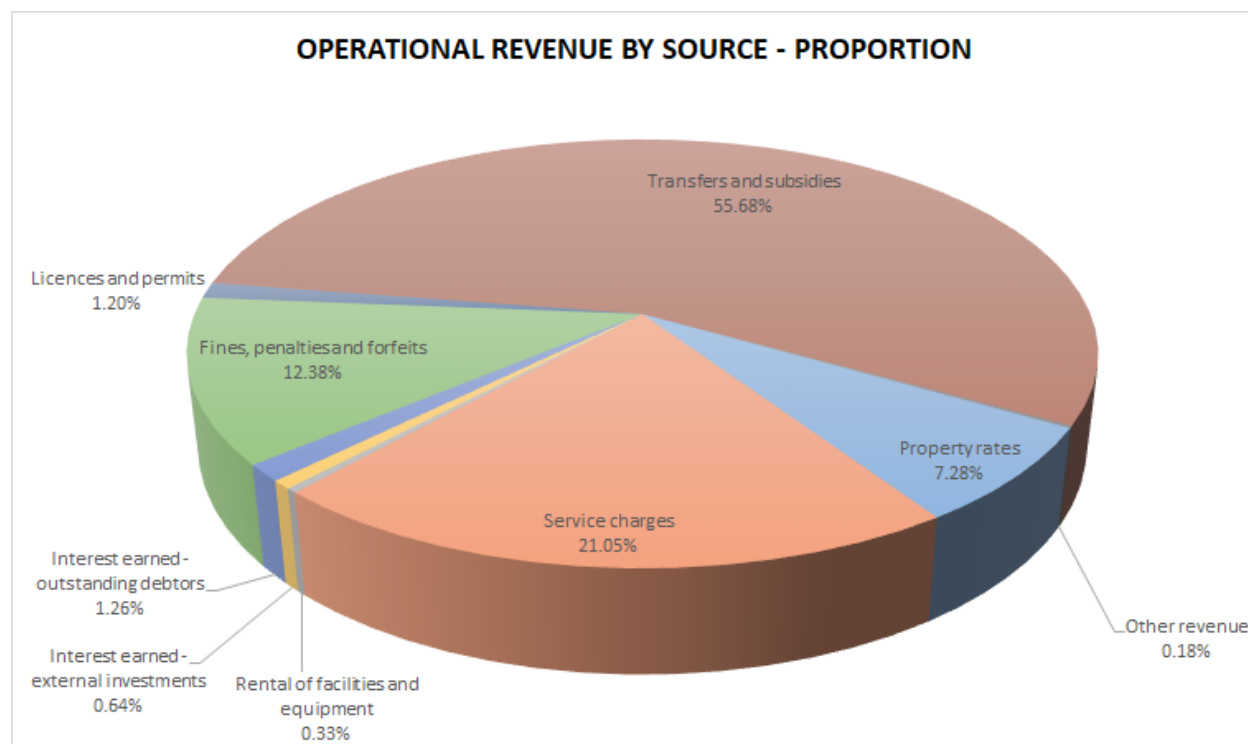


Table A1 Summary of revenue classified by main revenue source

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>										
Property rates	25 815	25 978	33 010	34 727	36 658	36 658	23 818	38 345	40 109	41 954
Service charges - electricity revenue	70 745	67 575	81 798	92 957	94 306	94 306	58 624	101 945	106 634	111 540
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	6 506	7 299	8 127	8 550	8 550	8 550	5 612	8 928	9 339	9 768
Rental of facilities and equipment	1 319	944	1 000	1 052	2 033	2 033	513	1 720	1 799	1 882
Interest earned - external investments	2 889	2 928	2 800	2 946	3 246	3 246	1 187	3 392	3 548	3 711
Interest earned - outstanding debtors	6 469	9 693	6 692	7 040	12 303	12 303	7 655	6 656	6 962	7 283
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	50 884	67 325	70 209	73 860	53 638	53 638	3 063	65 242	68 243	71 383
Licences and permits	5 255	4 956	5 200	5 470	6 070	6 070	3 466	6 344	6 635	6 941
Agency services	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	213 105	226 163	245 278	272 618	272 735	272 735	203 981	293 320	314 089	333 501
Other revenue	8 098	11 118	1 582	1 664	1 290	1 290	767	931	974	1 018
Gains	-	-	-	-	862	862	-	-	-	-
<b>Total Revenue excluding capital transfers</b>	<b>391 085</b>	<b>423 980</b>	<b>455 697</b>	<b>500 885</b>	<b>491 692</b>	<b>491 692</b>	<b>308 686</b>	<b>526 822</b>	<b>558 332</b>	<b>588 979</b>

Table A2 Percentage Growth in revenue by main revenue source

Description	2020/21 Medium Term Revenue & Expenditure Framework						
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year +1 2021/22	%	Budget Year +2 2022/23
<b>Revenue By Source</b>							
Property rates	36 658	4.60%	38 345	-4.60%	40 109	-4.60%	41 954
Service charges - electricity revenue	94 306	8.10%	101 945	-4.60%	106 634	-4.60%	111 540
Service charges - refuse revenue	8 550	4.43%	8 928	-4.60%	9 339	-4.60%	9 768
Rental of facilities and equipment	2 033	15.43%	1 720	-4.60%	1 799	-4.60%	1 882
Interest earned - external investments	3 246	4.50%	3 392	-4.60%	3 548	-4.60%	3 711
Interest earned - outstanding debtors	12 303	45.90%	6 656	-4.60%	6 962	-4.60%	7 283
Fines, penalties and forfeits	53 638	21.63%	65 242	-4.60%	68 243	-4.60%	71 383
Licences and permits	6 070	4.50%	6 344	-4.60%	6 635	-4.60%	6 941
Transfers and subsidies	272 735	7.55%	293 320	-7.08%	314 089	-6.18%	333 501
Other revenue	1 290	27.83%	931	-4.60%	974	-4.60%	1 018
Gains	862	0.00%	-		-	0.00%	-
<b>Total Revenue excluding capital transfers</b>	<b>491 692</b>		<b>526 822</b>		<b>558 332</b>		<b>588 979</b>



**Figure 1 Main operational revenue categories for the 2020/21 financial year**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations (MBRR), transfer recognized - capital is excluded from the operating revenue statement, as inclusion of this revenue source would distort the calculation of the operating surplus/deficit.

Revenue to be generated from operational grants amounts to R293, 320 translating to 44% for 2020/21 financial year making it clear that the Municipality is still grants dependent, however the level of dependency is gradually going down. In addition, revenue to be generated from rates and services charges amounts to 7, 28% and 21, 05% respectively. In the 2019/20 financial year, revenue from rates and services charges add up to R149, 217 million translating to 22, 79%. This increases to R156, 082 million, and R163, 262 million in the respective financial outer years of the MTREF. Service charges is the second largest revenue source totaling 21, 05% or R110, 873 million and increases to R115, 973 million and R121, 308 million respectively in the outer years. The third largest source is fines that amounts to R65, 242 million in 2020/21 financial year and R68, 243 million and R71, 382 million respectively in the outer years.

**Table A3 Operating Transfers and Grants Receipts**

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	<b>213 105</b>	<b>226 163</b>	<b>240 278</b>	<b>272 618</b>	<b>272 618</b>	<b>272 618</b>	<b>293 320</b>	<b>314 089</b>	<b>333 501</b>
Local Government Equitable Share	210 385	223 019	237 506	269 009	269 009	269 009	289 039	311 289	330 501
Finance Management	1 625	1 700	1 770	2 235	2 235	2 235	2 600	2 800	3 000
EPWP Incentive	1 095	1 444	1 002	1 374	1 374	1 374	1 681	–	
Energy Efficiency and Demand Management	–	–							
<b>Other transfers/grants [insert description]</b>									
Provincial Government:	–	–	–	–	–	–	–	–	–
<b>N/A</b>									
District Municipality:	–	–	–	–	–	–	–	–	–
<b>N/A</b>									
Other grant providers:	–	–	–	–	–	–	–	–	–
<b>N/A</b>									
<b>Total Operating Transfers and Grants</b>	<b>213 105</b>	<b>226 163</b>	<b>240 278</b>	<b>272 618</b>	<b>272 618</b>	<b>272 618</b>	<b>293 320</b>	<b>314 089</b>	<b>333 501</b>

Table A3 outlines the operating grants and transfers allocated to Elias Motsoaledi Local Municipality for 2020/21 MTREF and these grants are contributing significantly towards the revenue-base of the municipality.

#### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1 (zero point two five is to one). The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality conforms to the stipulations of the above-mentioned regulations more especially on the ratio thereof. The stipulation in the Property Rates Policy is highlighted below:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA). In addition to this exemption, the following additional rebates on the market value of a property will be granted in terms of the Municipality's own Property Rates tariffs;

PROPERTY CATEGORY	ADDITIONAL REBATES
Residential Property	20%
Business,commercial,Industrial and mining	25%
Agricultural Property	0%
State Owned Property	20%
Public Service Infrastructure	75%
Public Benefit Organization Property/OLD Age	75%
Municipal Property	Not Levied
UNKNOWN	Not Levied

The following owners may be granted a rebate on, or a reduction in the rates payable on their property:

- Pensioners that meet the following criteria:
  - Registered owner of property,
  - Applicant must reside on the property,
  - Income not exceeding an amount set by Council,
- Ratable property registered in the name of the Council., if such property is used in supplying electricity, water, and gas or sewerage services;
- Hospitals, clinics, and institutions for mentally ill persons, which are not operated for gain;
- Ratable property registered in the name of an agricultural society affiliated to or recognized by the South African Agricultural Union, which is used for the purpose of such society;
- Cemeteries and crematoriums, which are registered in the names of private persons and which are used exclusively for burials and cremations;
- Museums, art galleries, libraries and botanical gardens which are open to the public, whether admission fees are charged or not;
- Sports grounds used for the purpose of amateur sports and any social activities, which are connected with such sports;
- Ratable property registered in the name of benevolent or charitable organizations, or any ratable property let by the Council to any of the named organizations
- Owners of a property situated in an area affected by a disaster within the meaning of the Disaster Management Act, 2002 or in any other serious adverse social or economic conditions;
- Owners of residential properties with to which Section 17(1)(h) of the Act applies on the market value of the property less the amount stated in that Section or higher amount as determined by Council;
- State or public infrastructure and their rates may be reduced to a percentage which is contemplated in Section 11 of the Act.
- Owners of agricultural properties who are bona fide farmers.

#### 1.4.2 Sale of Electricity and Impact of Tariff Increases

While the court case between NERSA and Eskom is still pending, National Treasury advised Municipalities in MFMA circular 99 to use previously (March 2019) approved tariff increases of 8.1 per cent for 2020/21, 5.2 per cent for 2021/22 and 8.9 per cent for 2022/23.

Registered indigents will continue to get 50 kWh allocated to them and this will result in indigents receiving 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a step tariff structure needs to continue to be implemented even in the coming financial year. The effect thereof will be that the higher the consumption, the higher the cost per kwh. The aim is to subsidize the lower consumption users (mostly the poor).

#### **1.4.3 Waste Removal and Impact of Tariff Increase**

Service charge refuse removal is currently not doing fairly well since the revenue generated is currently less than the anticipated expenditure to be incurred and the municipality will therefore, have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors for the function not to break-even are repairs and maintenance on vehicles and landfill site, increases in general expenditure such as petrol and diesel and the cost of contracted service provider for refuse removal.

#### **1.4.4 Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services

### **1.5 Operating Expenditure Framework**

The Municipality's expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The renewal of existing assets and the repairs and maintenance needs;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The alignment of capital programme to the asset renewal requirement as per MBRR;
- Operational surplus will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation will be made.

The following table is a high-level summary of the 2020/21 budget and MTREF classified per main type of operating expenditure:

**Table A5 Summary of operating expenditure by standard classification item**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Total Revenue excluding capital transfers</b>	<b>391 085</b>	<b>423 980</b>	<b>455 697</b>	<b>500 885</b>	<b>491 692</b>	<b>491 692</b>	<b>308 686</b>	<b>526 822</b>	<b>558 332</b>	<b>588 979</b>
<b>Expenditure By Type</b>										
Employee related costs	117 781	127 202	130 473	147 530	142 665	142 665	97 341	167 203	173 136	181 100
Remuneration of councillors	20 298	22 874	24 291	25 554	25 068	25 068	16 011	26 197	27 402	28 662
Debt impairment	21 128	74 839	55 000	57 860	43 505	43 505		47 658	49 850	52 143
Depreciation & asset impairment	47 998	53 654	51 181	56 520	54 830	54 830	273	54 163	56 655	59 261
Finance charges	1 426	281	2 900	2 505	2 505	2 505	1 581	1 184	83	15
Bulk purchases	65 729	68 602	70 000	80 941	87 000	87 000	50 474	94 047	98 937	107 743
Other materials	12 873	9 806	8 909	13 590	17 798	17 798	11 383	16 929	17 707	18 522
Contracted services	43 080	67 951	59 841	53 788	65 807	65 807	61 070	59 660	56 820	59 107
Transfers and subsidies	708	841	3 580	3 740	3 340	3 340	1 754	3 468	3 605	3 747
Other expenditure	161 695	93 908	42 994	40 562	42 787	42 787	25 415	39 701	41 017	42 903
Losses	3 360	1 470	–	(0)	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>496 076</b>	<b>521 428</b>	<b>449 169</b>	<b>482 591</b>	<b>485 305</b>	<b>485 305</b>	<b>265 304</b>	<b>510 209</b>	<b>525 211</b>	<b>553 204</b>

The budgeted allocation for employee related costs and remuneration of councilors for the 2020/21 financial year totals R167, 203 million, which equals 32, 77% of the total operating expenditure. South African Local Government Bargaining Council circular 02/2020 stipulates an increase of 6.2%. Based on MFMA circular 99, the two outer-years salary increases have been factored into this budget at CPI percentage increase of 4,6%. The CPI is also applied on remuneration for councilors for outer years

The cost associated with the remuneration of Councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. The provision of debt impairment was determined based on the annual average collection rate of 50 per cent and the Debt Write-off Policy of the Municipality. For the 2020/21 financial year this amount equates to R47, 657 million and escalates to R49, 850 million in 2021/22 and R52, 143 million 2022/23. While this expenditure is considered a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R54, 163 million for the 2020/21 financial year and equates to 10.62% of the total operating expenditure. Cognizance should be taken that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. Note should therefore be taken that depreciation and asset impairment as well as debt impairment constitute non-cash items and as a result they are excluded when determining surplus to be expended for funding capital projects.

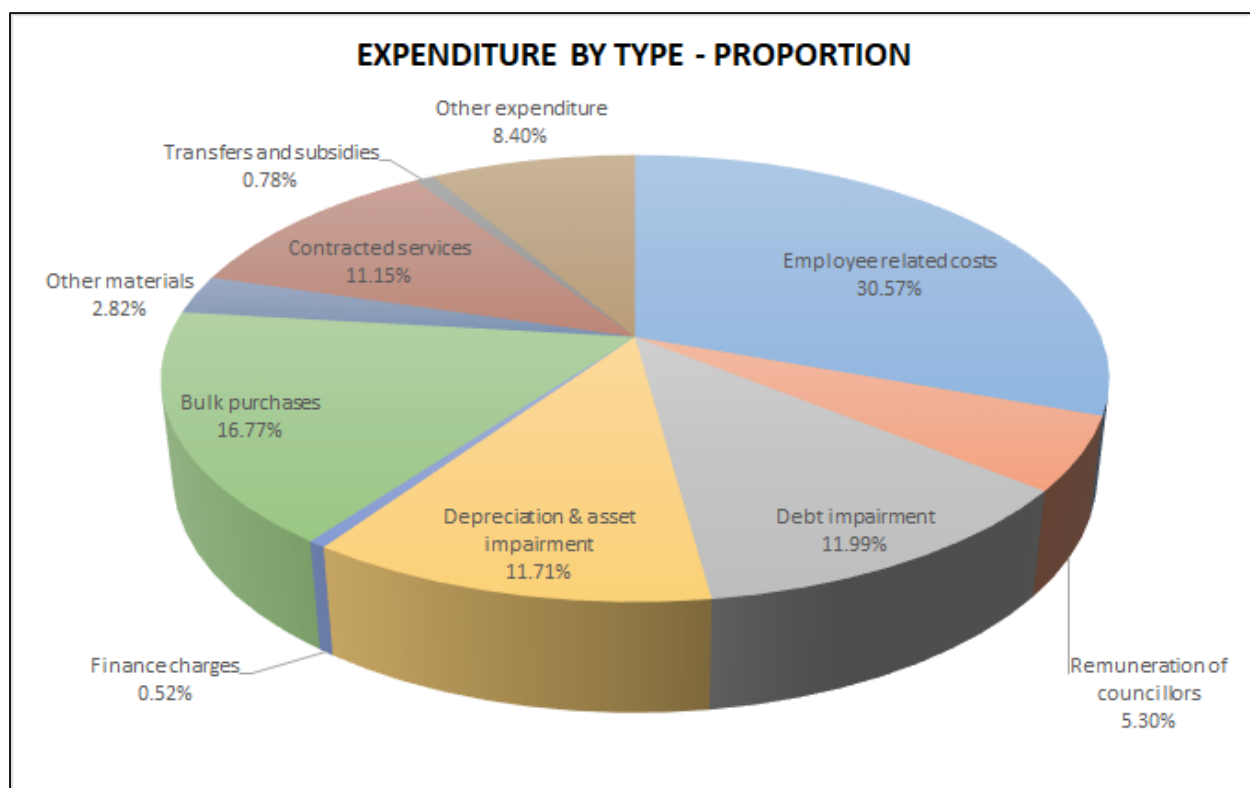
Bulk purchase is directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses. MFMA circular 99 outlines the set tariff increase for municipal bulk purchase from Eskom of 8,1%.

Other material comprises of amongst others the purchase of materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the municipality's infrastructure.

Contracted services comprise of 11, 69% or R59 660 million of the total operational budget for the 2020/21 financial year and decreases to R56, 820 million and increases to R59, 107 million in the two respective outer years. The norm for contracted services is 2% to 5% and as a result, the budget for contracted services through the MTREF period is considered to be excessive.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following diagram gives a breakdown of the main expenditure categories for the 2020/21 financial year.



**Figure 2 Main operational expenditure categories for the 2019/20 financial year**

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2020/21 budget and MTREF provide for budget appropriations in the area of asset maintenance, as informed by the asset renewal and repairs and maintenance needs. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.



During the compilation of the 2020/21 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. In this MTREF, repairs and maintenance budget has decreased from R17, 798 million in 2019/20 to R16, 928 million in 2020/21 then increases to R17, 707 million and R18, 521 million respectively in the outer years. In addition, the municipality is still experiencing budgetary constraints to can meet the required 8% that repairs and maintenance should contribute towards property, plant and equipment; and investment property. In relation to property, plant and equipment, repairs and maintenance comprises of 1, 60% throughout the MTREF period and this percentage is however way below the set norm of 8% as stipulated by National Treasury.

**Table A6 Repairs and maintenance per asset class**

Description	2016/17	2017/18	2018/19	Current Year 2019/20					
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2 2022/23
Repairs and maintenance expenditure by Asset Class/Sub-class									
<b>Infrastructure</b>	<b>4 633</b>	<b>5 694</b>	<b>6 704</b>	<b>6 756</b>	<b>7 683</b>	<b>7 683</b>	<b>7 729</b>	<b>8 084</b>	<b>8 456</b>
Roads Infrastructure	946	1 266	2 000	2 000	2 767	2 767	2 892	3 025	3 164
Roads	946	1 266	2 000	2 000	2 767	2 767	2 892	3 025	3 164
Electrical Infrastructure	1 802	1 891	1 000	1 052	2 052	2 052	1 845	1 929	2 018
MV Networks	1 802	1 891	1 000	1 052	2 052	2 052	1 845	1 929	2 018
Solid Waste Infrastructure	1 885	2 538	3 704	3 704	2 864	2 864	2 993	3 131	3 275
Landfill Sites	1 885	2 538	3 704	3 704	2 864	2 864	2 993	3 131	3 275
Community Assets	-	-	-	-	-	-	306	320	335
Community Facilities	-	-	-	-	-	-	306	320	335
Parks							306	320	335
Other assets	1 432	929	1 000	1 052	1 752	1 752	1 845	1 930	2 019
Operational Buildings	1 432	929	1 000	1 052	1 752	1 752	1 845	1 930	2 019
Municipal Offices	1 432	929	1 000	1 052	1 752	1 752	1 845	1 930	2 019
Intangible Assets	82	-	-	-	-	-	425	444	465
Licences and Rights	82	-	-	-	-	-	425	444	465
Computer Software and Applications	82						425	444	465
Machinery and Equipment	2 405	4 905	1 670	1 757	1 739	1 739	1 214	1 270	1 328
Machinery and Equipment	2 405	4 905	1 670	1 757	1 739	1 739	1 214	1 270	1 328
Transport Assets	1 800	777	1 000	1 052	2 352	2 352	1 854	1 940	2 029
Transport Assets	1 800	777	1 000	1 052	2 352	2 352	1 854	1 940	2 029
<b>Total Repairs and Maintenance Expenditure</b>	<b>10 353</b>	<b>12 305</b>	<b>10 374</b>	<b>10 617</b>	<b>13 526</b>	<b>13 526</b>	<b>13 373</b>	<b>13 988</b>	<b>14 632</b>
R&M as a % of PPE	1.1%	1.3%	1.0%	1.0%	1.2%	1.2%	1.3%	1.1%	1.1%
R&M as % Operating Expenditure	2.1%	2.4%	2.3%	2.2%	2.8%	2.8%	5.0%	2.7%	2.8%

For the 2019/20 financial year R7, 729 million of total repairs and maintenance will be spent on infrastructure assets. The other assets that have been catered for in the repairs and maintenance budget is buildings, maintenance of website, machinery and equipment and transport assets. The overall budget for repairs and maintenance has decreased from R13, 526 million to R13, 373.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists of households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Details relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 10 MBRR A10 (Basic Service Delivery Measurement) on.



The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act and this package covers all the basic services provided by EMLM and these services include, property rates rebates, service charges electricity, and refuse removal.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 7 2019/20 Medium-term capital budget per vote**

Vote Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital expenditure - Vote</b>										
Multi-year expenditure to be appropriated										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	-	1 110	1 400	-	-	-	-	950	1 000	1 000
Vote 5 - Community Services	28	434	1 600	-	-	-	-	-	-	-
Vote 6 - Technical Services	50 994	77 883	25 714	50 583	50 816	50 816	30 337	14 129	51 335	80 529
Vote 7 - Development Planning	-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>51 021</b>	<b>79 427</b>	<b>28 714</b>	<b>50 583</b>	<b>50 816</b>	<b>50 816</b>	<b>30 337</b>	<b>15 079</b>	<b>52 335</b>	<b>81 529</b>
<b>Single-year expenditure to be appropriated</b>										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	500	-	-	-	350	-	-
Vote 4 - Corporate Services	1 508	-	800	1 800	1 015	1 015	569	-	-	-
Vote 5 - Community Services	153	1 005	522	1 826	1 504	1 504	1 063	2 200	-	-
Vote 6 - Technical Services	27 399	27 131	67 222	40 945	59 756	59 756	32 054	69 811	41 659	12 954
Vote 7 - Development Planning	-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	583	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>29 643</b>	<b>28 136</b>	<b>68 544</b>	<b>45 071</b>	<b>62 275</b>	<b>62 275</b>	<b>33 686</b>	<b>72 361</b>	<b>41 659</b>	<b>12 954</b>
<b>Total Capital Expenditure - Vote</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>

The major portion of capital expenditure budget is appropriated in vote 6 and for 2020/21 the budget in vote 6 is mainly for electrification and road infrastructure capital projects. The other departments', *id est* Corporate Services – the appropriations are mainly for procurement of operational equipment such as ICT equipment, Office furniture, and other equipment while Community Services – the appropriations are for fencing of cemeteries and development of workshop.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Electricity related projects – R20 million
- Roads related projects – R63 million
- Operational equipment – R2 million
- Buildings – R2 million

## Figure 3 Capital Infrastructure Programme

### 1.7 Annual Budget Tables

The following tables present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 annual budget and MTREF.

**Table 8 MBRR Table A1 - Budget Summary**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Financial Performance</b>										
Property rates	25 815	25 978	33 010	34 727	36 658	36 658	23 818	38 345	40 109	41 954
Service charges	77 251	74 874	89 925	101 507	102 856	102 856	64 236	110 873	115 973	121 308
Investment revenue	2 889	2 928	2 800	2 946	3 246	3 246	1 187	3 392	3 548	3 711
Transfers recognised - operational	213 105	226 163	245 278	272 618	272 735	272 735	203 981	293 320	314 089	333 501
Other own revenue	72 026	94 037	84 683	89 087	76 196	76 196	15 464	80 893	84 614	88 506
<b>Total Revenue excluding capital transfers</b>	<b>391 085</b>	<b>423 980</b>	<b>455 697</b>	<b>500 885</b>	<b>491 692</b>	<b>491 692</b>	<b>308 686</b>	<b>526 822</b>	<b>558 332</b>	<b>588 979</b>
Employee costs	117 781	127 202	130 473	147 530	142 665	142 665	97 341	167 203	173 136	181 100
Remuneration of councillors	20 298	22 874	24 291	25 554	25 068	25 068	16 011	26 197	27 402	28 662
Depreciation & asset impairment	47 998	53 654	51 181	56 520	54 830	54 830	273	54 163	56 655	59 261
Finance charges	1 426	281	2 900	2 505	2 505	2 505	1 581	1 184	83	15
Materials and bulk purchases	78 603	78 408	78 909	94 531	104 798	104 798	61 857	110 976	116 645	126 265
Transfers and grants	708	841	3 580	3 740	3 340	3 340	1 754	3 468	3 605	3 747
Other expenditure	229 263	238 169	157 835	152 210	152 099	152 099	86 485	147 019	147 686	154 153
<b>Total Expenditure</b>	<b>496 076</b>	<b>521 428</b>	<b>449 169</b>	<b>482 591</b>	<b>485 305</b>	<b>485 305</b>	<b>265 304</b>	<b>510 209</b>	<b>525 211</b>	<b>553 204</b>
<b>Surplus/(Deficit)</b>	<b>(104 990)</b>	<b>(97 448)</b>	<b>6 528</b>	<b>18 293</b>	<b>6 386</b>	<b>6 386</b>	<b>43 383</b>	<b>16 613</b>	<b>33 121</b>	<b>35 775</b>
Transfers and subsidies - capital (monetary allocations)	68 930	97 901	94 050	73 921	97 192	97 192	45 438	74 561	77 207	72 606
Transfers and subsidies - capital (monetary allocations)	—	—	—	—	21 771	21 771	12 653	—	—	—
<b>Surplus/(Deficit) after capital transfers</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>
Transfers recognised - capital	68 895	83 864	81 841	73 921	97 192	97 192	54 376	75 461	54 648	81 706
Borrowing	—	—	—	—	—	—	—	—	—	—
Internally generated funds	11 770	23 699	15 417	21 733	15 898	15 898	9 647	11 979	39 346	12 777
<b>Total sources of capital funds</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>
<b>Financial position</b>										
Total current assets	87 618	65 342	211 349	115 014	120 388	120 388	124 366	140 300	179 150	219 288
Total non current assets	1 006 770	1 018 848	1 064 653	1 123 066	1 208 090	1 208 090	1 117 518	1 286 031	1 377 970	1 470 486
Total current liabilities	99 680	91 339	140 539	81 128	87 970	87 970	114 196	81 762	85 819	93 588
Total non current liabilities	89 811	98 206	121 097	103 696	103 515	103 515	98 557	94 548	96 439	98 368
<b>Community wealth/Equity</b>	<b>904 896</b>	<b>894 645</b>	<b>1 014 366</b>	<b>1 053 256</b>	<b>1 136 993</b>	<b>1 136 993</b>	<b>1 029 131</b>	<b>1 250 021</b>	<b>1 374 863</b>	<b>1 497 818</b>
<b>Cash flows</b>										
Net cash from (used) operating	98 321	96 019	118 137	102 851	121 326	121 326	22 496	107 463	127 136	125 733
Net cash from (used) investing	(81 193)	(103 972)	(44 880)	(88 001)	(126 231)	(126 231)	(39 226)	(86 440)	(93 994)	(94 483)
Net cash from (used) financing	(8 149)	(6 900)	(9 023)	(10 086)	(15 497)	(15 497)	(6 110)	(11 480)	(2 969)	(520)
<b>Cash/cash equivalents at the year end</b>	<b>20 944</b>	<b>6 194</b>	<b>70 428</b>	<b>29 037</b>	<b>10 995</b>	<b>10 995</b>	<b>2 142</b>	<b>26 240</b>	<b>56 414</b>	<b>87 144</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	20 944	6 194	70 428	29 037	16 697	16 697	2 142	26 240	56 414	87 144
Application of cash and investments	45 957	52 154	49 767	12 960	1 119	1 119	(10 300)	899	2 670	4 700
<b>Balance - surplus (shortfall)</b>	<b>(25 013)</b>	<b>(45 959)</b>	<b>20 661</b>	<b>16 077</b>	<b>15 578</b>	<b>15 578</b>	<b>12 442</b>	<b>25 341</b>	<b>53 744</b>	<b>82 444</b>
<b>Asset management</b>										
Asset register summary (WDV)	687 954	951 854	—	1 055 851	924 107	1 135 847	—	—	—	—
Depreciation	47 998	53 654	51 181	56 520	54 830	54 830	—	54 163	56 655	59 261
Renewal and Upgrading of Existing Assets	40 622	50 504	43 066	41 485	67 879	67 879	—	64 690	73 847	72 448
Repairs and Maintenance	10 353	12 305	10 374	10 617	13 526	13 526	1 135 847	13 373	13 988	14 632
<b>Free services</b>										
Cost of Free Basic Services provided	—	—	—	—	—	—	—	—	—	—
Revenue cost of free services provided	8 568	5 628	—	9 586	9 586	9 586	9 017	9 017	9 432	9 866
Households below minimum service level	—	—	—	—	—	—	—	—	—	—
Water:	—	—	—	—	—	—	—	—	—	—
Sanitation/sewerage:	—	—	—	—	—	—	—	—	—	—
Energy:	3 000	3 126	—	3 895	3 895	3 895	3 480	3 480	3 000	3 162
Refuse:	50 306	50 312	—	50 317	50 317	50 317	54 129	54 129	54 129	54 129

**Explanatory notes to MBRR Table A1 - Budget Summary**

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
  - The table provides an overview of the amounts contained in the Annual budget for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
  - Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial
  - Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    - a. The operating surplus/deficit (after Total Expenditure net of non-cash items) is positive over the MTREF period.
    - b. Capital expenditure is balanced by capital funding sources, of which
      - i. Transfers recognised is reflected on the Financial Performance Budget;
      - ii. Internally generated funds are financed from a combination of the current operating surplus. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
2. The Cash backing/surplus reconciliation shows that the municipality does not have reserves and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position with regards to replacement of assets since no capital replacement reserve is in place. Notwithstanding the absence of capital replacement reserves, at least the municipality is not operating on an over Annual nor funding some of its capital projects through direct borrowings. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality has dropped and this is attributed to offering free basic services only to indigents and this function is not yet optimized.

**Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue - Functional</b>									
<b>Governance and administration</b>	<b>253 047</b>	<b>183 232</b>	<b>198 283</b>	<b>214 636</b>	<b>217 729</b>	<b>217 729</b>	<b>228 980</b>	<b>243 593</b>	<b>255 869</b>
Executive and council	–	35 581	42 873	46 559	46 559	46 559	49 315	52 584	55 003
Finance and administration	253 047	141 249	147 508	159 127	162 220	162 220	169 800	180 691	190 074
Internal audit	–	6 402	7 902	8 950	8 950	8 950	9 864	10 318	10 793
<b>Community and public safety</b>	<b>50 930</b>	<b>88 773</b>	<b>88 850</b>	<b>94 968</b>	<b>74 760</b>	<b>74 760</b>	<b>88 558</b>	<b>94 632</b>	<b>99 985</b>
Community and social services	45	3 412	7 973	9 026	9 076	9 076	10 040	11 502	13 031
Sport and recreation	–	6 469	10 677	12 092	12 092	12 092	13 344	14 958	15 646
Public safety	50 885	78 892	70 200	73 850	53 592	53 592	65 174	68 172	71 308
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>	<b>64 969</b>	<b>127 676</b>	<b>141 810</b>	<b>117 004</b>	<b>141 587</b>	<b>141 587</b>	<b>122 357</b>	<b>131 318</b>	<b>140 927</b>
Planning and development	1 635	6 605	17 107	21 564	21 339	21 339	23 604	22 932	24 987
Road transport	63 333	120 229	123 685	94 287	118 977	118 977	97 353	105 968	112 410
Environmental protection	–	842	1 018	1 153	1 270	1 270	1 400	2 419	3 530
<b>Trading services</b>	<b>91 070</b>	<b>122 199</b>	<b>120 804</b>	<b>148 197</b>	<b>154 808</b>	<b>154 808</b>	<b>161 488</b>	<b>165 996</b>	<b>164 804</b>
Energy sources	84 564	91 510	102 039	119 623	126 235	126 235	130 709	133 802	131 129
Water management	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	6 506	30 689	18 765	28 574	28 574	28 574	30 779	32 195	33 676
Other	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>	<b>460 015</b>	<b>521 880</b>	<b>549 746</b>	<b>574 806</b>	<b>588 884</b>	<b>588 884</b>	<b>601 383</b>	<b>635 539</b>	<b>661 585</b>
<b>Expenditure - Functional</b>									
<b>Governance and administration</b>	<b>258 940</b>	<b>213 465</b>	<b>184 555</b>	<b>191 835</b>	<b>209 573</b>	<b>209 573</b>	<b>214 371</b>	<b>218 326</b>	<b>228 274</b>
Executive and council	35 425	39 711	39 998	41 658	50 599	50 599	47 625	49 793	52 061
Finance and administration	215 183	167 531	135 446	141 488	152 110	152 110	158 595	160 008	167 296
Internal audit	8 333	6 223	9 111	8 689	6 864	6 864	8 150	8 525	8 918
<b>Community and public safety</b>	<b>26 996</b>	<b>88 984</b>	<b>68 557</b>	<b>76 535</b>	<b>59 454</b>	<b>59 454</b>	<b>63 788</b>	<b>66 723</b>	<b>69 792</b>
Community and social services	5 518	6 687	5 563	7 457	5 582	5 582	7 677	8 030	8 400
Sport and recreation	7 378	7 323	9 713	11 037	8 951	8 951	8 894	9 303	9 731
Public safety	14 100	74 973	53 281	58 041	44 921	44 921	47 217	49 389	51 661
Housing	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>	<b>89 051</b>	<b>50 749</b>	<b>79 856</b>	<b>87 675</b>	<b>84 795</b>	<b>84 795</b>	<b>95 184</b>	<b>97 804</b>	<b>102 303</b>
Planning and development	18 070	14 195	15 813	17 147	19 388	19 388	16 674	15 683	16 404
Road transport	69 894	35 904	63 315	69 685	64 766	64 766	77 890	81 473	85 220
Environmental protection	1 087	650	728	843	641	641	620	649	679
<b>Trading services</b>	<b>121 089</b>	<b>168 230</b>	<b>116 200</b>	<b>126 546</b>	<b>131 483</b>	<b>131 483</b>	<b>136 866</b>	<b>142 358</b>	<b>152 835</b>
Energy sources	98 785	140 094	92 646	99 370	104 456	104 456	110 660	116 315	125 919
Water management	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	22 304	28 136	23 554	27 177	27 027	27 027	26 206	26 044	26 915
Other	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Functional</b>	<b>496 076</b>	<b>521 428</b>	<b>449 169</b>	<b>482 591</b>	<b>485 305</b>	<b>485 305</b>	<b>510 209</b>	<b>525 211</b>	<b>553 204</b>
<b>Surplus/(Deficit) for the year</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>103 579</b>	<b>103 579</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (by standard classification)**

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into different functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

**Table 10 MBRR Table A3 - Budgeted Financial Performance (by vote)**

Vote Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue by Vote</b>									
Vote 1 - Executive and Council	–	31 540	38 168	41 240	41 231	41 231	43 443	46 441	48 578
Vote 2 - Municipal Manager	–	15 805	31 469	35 643	35 643	35 643	39 284	41 091	43 981
Vote 3 - Budget and Treasury	253 036	83 272	59 272	64 188	67 281	67 281	66 629	69 775	74 055
Vote 4 - Corporate Services	12	34 041	39 931	40 227	40 227	40 227	44 328	46 367	48 500
Vote 5 - Community Services	62 691	131 423	120 478	132 693	113 239	113 239	129 915	138 845	148 124
Vote 6 - Technical Services	141 006	211 539	233 051	227 629	258 293	258 293	241 819	254 159	257 698
Vote 7 - Development Planning	1 635	1 529	11 282	14 966	14 741	14 741	16 332	15 325	16 030
Vote 8 - Executive Support	1 635	12 731	16 094	18 229	18 229	18 229	19 633	23 536	24 619
<b>Total Revenue by Vote</b>	<b>460 015</b>	<b>521 880</b>	<b>549 746</b>	<b>574 815</b>	<b>588 884</b>	<b>588 884</b>	<b>601 383</b>	<b>635 539</b>	<b>661 585</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - Executive and Council	31 808	36 404	35 307	31 554	38 218	38 218	42 065	43 977	45 977
Vote 2 - Municipal Manager	27 365	20 075	37 306	35 065	42 688	42 688	36 843	38 538	40 311
Vote 3 - Budget and Treasury	128 458	89 906	51 072	52 917	56 083	56 083	62 950	61 086	63 896
Vote 4 - Corporate Services	40 771	39 301	30 600	36 814	30 859	30 859	37 351	39 102	40 901
Vote 5 - Community Services	55 374	123 541	100 333	112 427	94 391	94 391	99 115	102 306	106 685
Vote 6 - Technical Services	183 344	188 616	167 702	181 124	185 231	185 231	203 768	212 550	226 510
Vote 7 - Development Planning	12 074	7 999	9 977	13 185	12 998	12 998	11 687	10 466	10 948
Vote 8 - Executive Support	16 881	15 585	14 187	15 088	19 749	19 749	16 430	17 186	17 977
<b>Total Expenditure by Vote</b>	<b>496 076</b>	<b>521 428</b>	<b>446 483</b>	<b>478 173</b>	<b>480 216</b>	<b>480 216</b>	<b>510 209</b>	<b>525 211</b>	<b>553 204</b>
<b>Surplus/(Deficit) for the year</b>	<b>(36 060)</b>	<b>453</b>	<b>103 263</b>	<b>96 642</b>	<b>108 668</b>	<b>108 668</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality.



**Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>										
Property rates	25 815	25 978	33 010	34 727	36 658	36 658	23 818	38 345	40 109	41 954
Service charges - electricity revenue	70 745	67 575	81 798	92 957	94 306	94 306	58 624	101 945	106 634	111 540
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	6 506	7 299	8 127	8 550	8 550	8 550	5 612	8 928	9 339	9 768
Rental of facilities and equipment	1 319	944	1 000	1 052	2 033	2 033	513	1 720	1 799	1 882
Interest earned - external investments	2 889	2 928	2 800	2 946	3 246	3 246	1 187	3 392	3 548	3 711
Interest earned - outstanding debtors	6 469	9 693	6 692	7 040	12 303	12 303	7 655	6 656	6 962	7 283
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	50 884	67 325	70 209	73 860	53 638	53 638	3 063	65 242	68 243	71 383
Licences and permits	5 255	4 956	5 200	5 470	6 070	6 070	3 466	6 344	6 635	6 941
Agency services	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies	213 105	226 163	245 278	272 618	272 735	272 735	203 981	293 320	314 089	333 501
Other revenue	8 098	11 118	1 582	1 664	1 290	1 290	767	931	974	1 018
Gains	–	–	–	–	862	862	–	–	–	–
<b>Total Revenue excluding capital transfers</b>	<b>391 085</b>	<b>423 980</b>	<b>455 697</b>	<b>500 885</b>	<b>491 692</b>	<b>491 692</b>	<b>308 686</b>	<b>526 822</b>	<b>558 332</b>	<b>588 979</b>
<b>Expenditure By Type</b>										
Employee related costs	117 781	127 202	130 473	147 530	142 665	142 665	97 341	167 203	173 136	181 100
Remuneration of councillors	20 298	22 874	24 291	25 554	25 068	25 068	16 011	26 197	27 402	28 662
Debt impairment	21 128	74 839	55 000	57 860	43 505	43 505	–	47 658	49 850	52 143
Depreciation & asset impairment	47 998	53 654	51 181	56 520	54 830	54 830	273	54 163	56 655	59 261
Finance charges	1 426	281	2 900	2 505	2 505	2 505	1 581	1 184	83	15
Bulk purchases	65 729	68 602	70 000	80 941	87 000	87 000	50 474	94 047	98 937	107 743
Other materials	12 873	9 806	8 909	13 590	17 798	17 798	11 383	16 929	17 707	18 522
Contracted services	43 080	67 951	59 841	53 788	65 807	65 807	61 070	59 660	56 820	59 107
Transfers and subsidies	708	841	3 580	3 740	3 340	3 340	1 754	3 468	3 605	3 747
Other expenditure	161 695	93 908	42 994	40 562	42 787	42 787	25 415	39 701	41 017	42 903
Losses	3 360	1 470	–	(0)	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>496 076</b>	<b>521 428</b>	<b>449 169</b>	<b>482 591</b>	<b>485 305</b>	<b>485 305</b>	<b>265 304</b>	<b>510 209</b>	<b>525 211</b>	<b>553 204</b>
<b>Surplus/(Deficit)</b>	<b>(104 990)</b>	<b>(97 448)</b>	<b>6 528</b>	<b>18 293</b>	<b>6 386</b>	<b>6 386</b>	<b>43 383</b>	<b>16 613</b>	<b>33 121</b>	<b>35 775</b>
Transfers and subsidies - capital (monetary allocation)	68 930	97 901	94 050	73 921	97 192	97 192	45 438	74 561	77 207	72 606
Transfers and subsidies - capital (monetary allocation)	–	–	–	–	21 771	21 771	12 653	–	–	–
Transfers and subsidies - capital (in-kind - all)	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>
Taxation	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>
Attributable to minorities	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>(36 060)</b>	<b>453</b>	<b>100 578</b>	<b>92 214</b>	<b>125 350</b>	<b>125 350</b>	<b>101 474</b>	<b>91 174</b>	<b>110 328</b>	<b>108 381</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Operating revenue is R510, 209 million in 2020/21 and escalates to R525, 211 million and R553, 203 million in the outer years.
2. Services charges relating to electricity and refuse removal, these revenue sources contribute significantly to the revenue basket of the municipality and the contribution thereof totals R110, 873 million for the 2020/21 financial year and increasing to R115, 973 million in 2021/22 and increasing to R121, 308 million in 2022/23 financial year.

3. Transfers recognized operational – includes the local government equitable share, financial management grant, extended public works programme grant.
4. Services charges relating to refuse removal is increasing from R8.5 million to R8.9 million and the increase is reasonable and in line with CPI.
5. Rental of facilities and equipment is decreased from R2 million in adjustment budget to R1.8 million. The municipality will increase dispose of municipal properties rented out to employees.
6. Interest on external investment is budgeted to increase from R3.2 million to R3.4 million the municipality realized R1.1 million year to date; and the anticipated increment is due to the deposit that the municipality has with Eskom that generate interest and its only realized at year end. Furthermore, a portion of Masakaneng will be electrified 2020/21 financial year resulting in interest increase
7. Fines are anticipated to increase from R53. 6 million to R65. 2 million and the municipality realized R2. 9 million for the period of July to December. The municipality anticipate to appoint the new service provider by the end of March 2020. The reason for the fines amount of four months is due to the systems of capturing fines that is not linked to the main financial system, we pass the journals from the information received from the Traffic department.
8. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
9. Salaries for directors and Municipal Manager is budgeted to increase due to a waiver of the upper limits of the total remuneration approved by minister of CoGTA on 24 February 2020.
10. Motor/car Allowance increment is due to the possible move to the last notch, that will result on directors restructuring their car allowance accordingly
11. Pension and UIF of other municipal staff increased due to the vacant post budgeted for 2020/21.
12. The increment on payment in lieu of leave due to the attached circular from SALGA that stipulates that employees may cash in leave days, and provision for employees who might resign during the financial year.
13. Depreciation increased from R52, 729 million in 2019/20 to R54, 163 million and the increase is due to acquisition of assets
14. The budgeted amount on finance charges the figure is guided by the attached amortization schedule for finance lease obligation.

**Table 12 MBRR Table A5 - Budgeted Capital Expenditure by standard classification and funding source**

Vote Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital Expenditure - Functional</b>										
<b>Governance and administration</b>	2 091	1 110	2 200	1 800	1 015	1 015	569	1 300	1 000	1 000
Executive and council										
Finance and administration	2 091	1 110	2 200	1 800	1 015	1 015	569	1 300	1 000	1 000
Internal audit										
<b>Community and public safety</b>	181	8 834	522	500	-	-	-	2 200	-	-
Community and social services	28		522	500	-			600		
Sport and recreation		8 834						1 000		
Public safety	153							600		
Housing										
Health										
<b>Economic and environmental services</b>	67 241	84 672	79 449	72 006	91 010	91 010	47 787	63 940	74 282	82 836
Planning and development										
Road transport	67 241	84 672	79 449	72 006	91 010	91 010	47 787	63 940	74 282	82 836
Environmental protection										
<b>Trading services</b>	11 151	12 946	15 087	21 348	21 066	21 066	15 667	20 000	18 712	10 647
Energy sources	11 151	12 946	13 487	19 522	19 562	19 562	14 604	20 000	18 712	10 647
Water management										
Waste water management										
Waste management			1 600	1 826	1 504	1 504	1 063			
Other										
<b>Total Capital Expenditure - Functional</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>
<b>Funded by:</b>										
<b>National Government</b>	<b>68 895</b>	<b>83 864</b>	<b>62 910</b>	<b>73 921</b>	<b>75 421</b>	<b>75 421</b>	<b>40 885</b>	<b>75 461</b>	<b>54 648</b>	<b>81 706</b>
Provincial Government			18 931	-	21 771	21 771	13 491			
District Municipality										
Transfers and subsidies - capital (monetary allocations)										
Transfers recognised - capital	68 895	83 864	81 841	73 921	97 192	97 192	54 376	75 461	54 648	81 706
Borrowing										
Internally generated funds	11 770	23 699	15 417	21 733	15 898	15 898	9 647	11 979	39 346	12 777
<b>Total Capital Funding</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by standard classification and funding source**

Capital projects are funded from Municipal Infrastructure Grant (MIG); Integrated National Electrification Programme (INEP) and internal generated revenue.

From table A4 point of view the municipality has budgeted for non-cash items, the effect thereof is the surplus of R17 million however the internal generated funding is based on the surplus from A7 cash flow, which is exclusive of non-cash item.



**Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote**

Vote Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital expenditure - Vote</b>										
Multi-year expenditure to be appropriated										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	-	1 110	1 400	-	-	-	-	950	1 000	1 000
Vote 5 - Community Services	28	434	1 600	-	-	-	-	-	-	-
Vote 6 - Technical Services	50 994	77 883	25 714	50 583	50 816	50 816	30 337	14 129	51 335	80 529
Vote 7 - Development Planning	-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>51 021</b>	<b>79 427</b>	<b>28 714</b>	<b>50 583</b>	<b>50 816</b>	<b>50 816</b>	<b>30 337</b>	<b>15 079</b>	<b>52 335</b>	<b>81 529</b>
<b>Single-year expenditure to be appropriated</b>										
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury	-	-	-	500	-	-	-	350	-	-
Vote 4 - Corporate Services	1 508	-	800	1 800	1 015	1 015	569	-	-	-
Vote 5 - Community Services	153	1 005	522	1 826	1 504	1 504	1 063	2 200	-	-
Vote 6 - Technical Services	27 399	27 131	67 222	40 945	59 756	59 756	32 054	69 811	41 659	12 954
Vote 7 - Development Planning	-	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	583	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>29 643</b>	<b>28 136</b>	<b>68 544</b>	<b>45 071</b>	<b>62 275</b>	<b>62 275</b>	<b>33 686</b>	<b>72 361</b>	<b>41 659</b>	<b>12 954</b>
<b>Total Capital Expenditure - Vote</b>	<b>80 665</b>	<b>107 563</b>	<b>97 258</b>	<b>95 654</b>	<b>113 090</b>	<b>113 090</b>	<b>64 023</b>	<b>87 440</b>	<b>93 994</b>	<b>94 483</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2020/21 R15, 079 million has been allocated of the total R87, 440 million. This allocation escalates to R93, 994 million in 2021/22 and increase to R94, 483 million in 2022/23.
3. Single-year capital expenditure has been appropriated at R72, 361 million for the 2020/21 financial year and declines to R41, 659 million in 2021/22 and then decreases to R12, 954 million in 2022/23 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years. The capital programme is funded from capital grants and transfers and internally generated funds from current year surpluses.

Table 14 MBRR Table A6 - Budgeted Financial Position

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	5 288	6 194	3 136	4 882	16 697	16 697	2 142	10 000	18 000	35 000
Call investment deposits	15 657	–	67 292	24 155	–	–	–	16 240	38 414	52 144
Consumer debtors	20 636	24 953	45 009	41 950	49 631	49 631	55 736	54 594	57 323	60 189
Other debtors	42 835	30 866	89 584	40 727	49 052	49 052	58 267	53 957	59 352	65 288
Current portion of long-term receivables										
Inventory	3 202	3 328	6 328	3 300	5 009	5 009	8 221	5 510	6 061	6 667
<b>Total current assets</b>	<b>87 618</b>	<b>65 342</b>	<b>211 349</b>	<b>115 014</b>	<b>120 388</b>	<b>120 388</b>	<b>124 366</b>	<b>140 300</b>	<b>179 150</b>	<b>219 288</b>
<b>Non current assets</b>										
Long-term receivables										
Investments					–	–	–			
Investment property	55 728	53 739	54 139	53 739	58 240	58 240	58 240	48 000	45 200	42 488
Investment in Associate										
Property, plant and equipment	938 356	952 317	997 723	1 055 765	1 135 808	1 135 808	1 057 692	1 223 249	1 317 243	1 411 726
Biological							–			
Intangible	291	85	85	85	39	39	39	30	25	20
Other non-current assets	12 396	12 706	12 706	13 476	14 002	14 002	1 548	14 752	15 502	16 252
<b>Total non current assets</b>	<b>1 006 770</b>	<b>1 018 848</b>	<b>1 064 653</b>	<b>1 123 066</b>	<b>1 208 090</b>	<b>1 208 090</b>	<b>1 117 518</b>	<b>1 286 031</b>	<b>1 377 970</b>	<b>1 470 486</b>
<b>TOTAL ASSETS</b>	<b>1 094 388</b>	<b>1 084 189</b>	<b>1 276 002</b>	<b>1 238 080</b>	<b>1 328 478</b>	<b>1 328 478</b>	<b>1 241 884</b>	<b>1 426 331</b>	<b>1 557 120</b>	<b>1 689 774</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft										
Borrowing	6 900	–	5 002	9 686	11 542	11 542	8 587	2 489	–	–
Consumer deposits	5 633	5 249	5 373	4 860	5 430	5 430	5 558	5 701	5 416	5 145
Trade and other payables	82 244	81 839	126 449	60 924	64 491	64 491	88 693	67 715	74 487	81 935
Provisions	4 904	4 251	3 715	5 658	6 508	6 508	11 358	5 857	5 916	6 507
<b>Total current liabilities</b>	<b>99 680</b>	<b>91 339</b>	<b>140 539</b>	<b>81 128</b>	<b>87 970</b>	<b>87 970</b>	<b>114 196</b>	<b>81 762</b>	<b>85 819</b>	<b>93 588</b>
<b>Non current liabilities</b>										
Borrowing	–	–	23 097	13 554	13 469	13 469	13 469	–	–	–
Provisions	89 811	98 206	98 000	90 142	90 046	90 046	85 088	94 548	96 439	98 368
<b>Total non current liabilities</b>	<b>89 811</b>	<b>98 206</b>	<b>121 097</b>	<b>103 696</b>	<b>103 515</b>	<b>103 515</b>	<b>98 557</b>	<b>94 548</b>	<b>96 439</b>	<b>98 368</b>
<b>TOTAL LIABILITIES</b>	<b>189 492</b>	<b>189 545</b>	<b>261 637</b>	<b>184 824</b>	<b>191 485</b>	<b>191 485</b>	<b>212 753</b>	<b>176 310</b>	<b>182 258</b>	<b>191 956</b>
<b>NET ASSETS</b>	<b>904 896</b>	<b>894 645</b>	<b>1 014 366</b>	<b>1 053 256</b>	<b>1 136 993</b>	<b>1 136 993</b>	<b>1 029 131</b>	<b>1 250 021</b>	<b>1 374 863</b>	<b>1 497 818</b>
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)	904 896	894 645	1 014 366	1 053 256	1 136 993	1 136 993	1 029 131	1 250 021	1 374 863	1 497 818
Reserves	–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>904 896</b>	<b>894 645</b>	<b>1 014 366</b>	<b>1 053 256</b>	<b>1 136 993</b>	<b>1 136 993</b>	<b>1 029 131</b>	<b>1 250 021</b>	<b>1 374 863</b>	<b>1 497 818</b>

## Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 15 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates	20 966	20 409	18 029	21 878	20 958	20 958	16 534	26 841	28 076	29 367
Service charges	69 070	68 403	69 861	91 398	101 547	101 547	57 703	94 998	99 368	103 939
Other revenue	10 066	14 831	30 398	17 441	15 467	15 467	15 651	19 800	20 711	21 663
Transfers and Subsidies - Operational	214 632	226 165	186 331	272 618	272 735	272 735	205 366	293 320	314 089	333 501
Transfers and Subsidies - Capital	83 703	97 899	93 601	73 921	75 421	75 421	58 434	74 561	77 207	72 606
Interest	10 410	12 621	3 493	3 861	15 548	15 548	1 924	1 331	1 392	1 457
Dividends								-	-	-
<b>Payments</b>										
Suppliers and employees	(308 578)	(343 186)	(280 260)	(372 021)	(374 506)	(374 506)	(329 534)	(398 737)	(410 019)	(433 038)
Finance charges	(1 426)	(281)	(1 397)	(2 505)	(2 505)	(2 505)	(1 827)	(1 184)	(83)	(15)
Transfers and Grants	(521)	(841)	(1 919)	(3 740)	(3 340)	(3 340)	(1 754)	(3 468)	(3 605)	(3 747)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>98 321</b>	<b>96 019</b>	<b>118 137</b>	<b>102 851</b>	<b>121 326</b>	<b>121 326</b>	<b>22 496</b>	<b>107 463</b>	<b>127 136</b>	<b>125 733</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	-	2 400	3 022	-	862	862		1 000	-	-
Decrease (increase) in non-current receivables	(529)	-	150	-	(463)	(463)	28 366	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	(13 539)	(13 539)		-	-	-
<b>Payments</b>										
Capital assets	(80 665)	(106 372)	(48 052)	(88 001)	(113 090)	(113 090)	(67 592)	(87 440)	(93 994)	(94 483)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(81 193)</b>	<b>(103 972)</b>	<b>(44 880)</b>	<b>(88 001)</b>	<b>(126 231)</b>	<b>(126 231)</b>	<b>(39 226)</b>	<b>(86 440)</b>	<b>(93 994)</b>	<b>(94 483)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans								-	-	-
Borrowing long term/refinancing			-	-	1 542	1 542		(500)	(480)	(520)
Increase (decrease) in consumer deposits	21	-	124	(400)	170	170	173	-	-	-
<b>Payments</b>										
Repayment of borrowing	(8 170)	(6 900)	(9 147)	(9 686)	(17 208)	(17 208)	(6 283)	(10 980)	(2 489)	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(8 149)</b>	<b>(6 900)</b>	<b>(9 023)</b>	<b>(10 086)</b>	<b>(15 497)</b>	<b>(15 497)</b>	<b>(6 110)</b>	<b>(11 480)</b>	<b>(2 969)</b>	<b>(520)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>8 979</b>	<b>(14 854)</b>	<b>64 234</b>	<b>4 764</b>	<b>(20 402)</b>	<b>(20 402)</b>	<b>(22 840)</b>	<b>9 543</b>	<b>30 174</b>	<b>30 730</b>
Cash/cash equivalents at the year begin:	11 965	21 048	6 194	24 273	31 396	31 396	24 982	16 697	26 240	56 414
<b>Cash/cash equivalents at the year end:</b>	<b>20 944</b>	<b>6 194</b>	<b>70 428</b>	<b>29 037</b>	<b>10 995</b>	<b>10 995</b>	<b>2 142</b>	<b>26 240</b>	<b>56 414</b>	<b>87 144</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash level of the Municipality is projected to consistently increase, however the achievement of these results, requires implementation of stringent credit control.
4. The 2020/21 MTREF has been informed by the planning principle of ensuring adequate cash and cash equivalent over the medium-term and as a result, the Cash and Investment management policy is now in place.
5. Capital assets payment is exclusive of retention amounting to 10% of the work done.

### Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The rate of revenue collection is budgeted as a percentage of annual billings as follows: property rates 81%; Services charges electricity 93%; Services charges refuse 59%; other revenue 92% The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

Comparing A7 Capital assets and A5 total Capex the inconsistency is due retention that will be held by the municipality.

**Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	20 944	6 194	70 428	29 037	10 995	10 995	2 142	26 240	56 414	87 144
Other current investments > 90 days	(0)	–	(0)	–	5 702	5 702	0	0	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>	<b>20 944</b>	<b>6 194</b>	<b>70 428</b>	<b>29 037</b>	<b>16 697</b>	<b>16 697</b>	<b>2 142</b>	<b>26 240</b>	<b>56 414</b>	<b>87 144</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	–	–	–	–	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements										
Other working capital requirements	45 957	52 154	49 767	12 960	1 119	1 119	(10 300)	899	2 670	4 700
Other provisions										
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
<b>Total Application of cash and investments:</b>	<b>45 957</b>	<b>52 154</b>	<b>49 767</b>	<b>12 960</b>	<b>1 119</b>	<b>1 119</b>	<b>(10 300)</b>	<b>899</b>	<b>2 670</b>	<b>4 700</b>
<b>Surplus(shortfall)</b>	<b>(25 013)</b>	<b>(45 959)</b>	<b>20 661</b>	<b>16 077</b>	<b>15 578</b>	<b>15 578</b>	<b>12 442</b>	<b>25 341</b>	<b>53 744</b>	<b>82 444</b>

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the above table, it is clearly indicated that the municipality has surplus over MTREF.

Table 17 MBRR Table A9 - Asset Management: New and Renewal of existing assets

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	40 043	57 060	54 192	54 169	45 211	45 211	22 750	20 147	22 035
<b>Roads Infrastructure</b>	21 733	39 865	34 057	30 521	21 771	21 771	-	-	9 954
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	11 151	12 946	13 487	19 522	19 562	19 562	20 000	18 712	10 647
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	32 884	52 811	47 545	50 043	41 333	41 333	20 000	18 712	20 601
<b>Community Facilities</b>	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	1 298	-	4 947	900	1 476	1 476	600	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	1 298	-	4 947	900	1 476	1 476	600	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	1 168	749	1 000	500	115	115	150	500	500
<b>Furniture and Office Equipment</b>	340	362	400	400	534	534	800	500	500
<b>Machinery and Equipment</b>	2 100	3 138	300	2 326	1 754	1 754	1 200	435	435
<b>Transport Assets</b>	2 253	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	40 622	42 569	41 466	23 813	66 417	66 417	47 040	24 640	43 696
Roads Infrastructure	37 997	42 135	40 944	22 074	66 417	66 417	42 410	24 640	43 696
Storm water Infrastructure	-	-	-	-	-	-	-	-	-
Electrical Infrastructure	-	-	-	1 739	-	-	-	-	-
Solid Waste Infrastructure	-	-	-	-	-	-	4 030	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	37 997	42 135	40 944	23 813	66 417	66 417	46 440	24 640	43 696
Community Facilities	-	-	522	-	-	-	600	-	-
Sport and Recreation Facilities	1 694	-	-	-	-	-	-	-	-
<b>Community Assets</b>	1 694	-	522	-	-	-	600	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	932	434	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	932	434	-	-	-	-	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-



Table 18 MBRR Table A9 - Asset Management: Upgrading of existing assets and total capital expenditure

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Total Upgrading of Existing Assets</b>	–	7 934	1 600	17 672	1 462	1 462	17 650	49 207	28 752
Roads Infrastructure	–	–	–	15 196	1 346	1 346	16 650	49 207	28 752
Storm water Infrastructure	–	–	–	–	–	–	–	–	–
Electrical Infrastructure	–	–	–	–	–	–	–	–	–
Solid Waste Infrastructure	–	–	1 600	–	–	–	–	–	–
Coastal Infrastructure	–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure	–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>	–	–	1 600	15 196	1 346	1 346	16 650	49 207	28 752
Community Facilities	–	–	–	–	–	–	1 000	–	–
Sport and Recreation Facilities	–	7 829	–	–	–	–	–	–	–
<b>Community Assets</b>	–	7 829	–	–	–	–	1 000	–	–
Heritage Assets	–	–	–	–	–	–	–	–	–
Revenue Generating	–	–	–	–	–	–	–	–	–
Non-revenue Generating	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Operational Buildings	–	105	–	2 476	–	–	–	–	–
Housing	–	–	–	–	–	–	–	–	–
<b>Other Assets</b>	–	105	–	2 476	–	–	–	–	–
Biological or Cultivated Assets	–	–	–	–	–	–	–	–	–
Servitudes	–	–	–	–	–	–	–	–	–
Licences and Rights	–	–	–	–	–	–	–	–	–
<b>Intangible Assets</b>	–	–	–	–	–	–	–	–	–
<b>Computer Equipment</b>	–	–	–	–	–	–	–	–	–
<b>Furniture and Office Equipment</b>	–	–	–	–	–	–	–	–	–
<b>Machinery and Equipment</b>	–	–	–	–	116	116	–	–	–
<b>Transport Assets</b>	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>	80 665	107 563	97 258	95 654	113 090	113 090	87 440	93 994	94 483
Roads Infrastructure	59 730	82 000	75 001	67 791	89 534	89 534	59 060	73 847	82 402
Storm water Infrastructure	–	–	–	–	–	–	–	–	–
Electrical Infrastructure	11 151	12 946	13 487	21 261	19 562	19 562	20 000	18 712	10 647
Solid Waste Infrastructure	–	–	1 600	–	–	–	4 030	–	–
Coastal Infrastructure	–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure	–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>	70 881	94 946	90 089	89 051	109 096	109 096	83 090	92 559	93 048
Community Facilities	–	–	522	–	–	–	1 600	–	–
Sport and Recreation Facilities	1 694	7 829	–	–	–	–	–	–	–
<b>Community Assets</b>	1 694	7 829	522	–	–	–	1 600	–	–
Heritage Assets	–	–	–	–	–	–	–	–	–
Revenue Generating	–	–	–	–	–	–	–	–	–
Non-revenue Generating	–	–	–	–	–	–	–	–	–
<b>Investment properties</b>	–	–	–	–	–	–	–	–	–
Operational Buildings	2 229	539	4 947	3 376	1 476	1 476	600	–	–
Housing	–	–	–	–	–	–	–	–	–
<b>Other Assets</b>	2 229	539	4 947	3 376	1 476	1 476	600	–	–
Biological or Cultivated Assets	–	–	–	–	–	–	–	–	–
Servitudes	–	–	–	–	–	–	–	–	–
Licences and Rights	–	–	–	–	–	–	–	–	–
<b>Intangible Assets</b>	–	–	–	–	–	–	–	–	–
<b>Computer Equipment</b>	1 168	749	1 000	500	115	115	150	500	500
<b>Furniture and Office Equipment</b>	340	362	400	400	534	534	800	500	500
<b>Machinery and Equipment</b>	2 100	3 138	300	2 326	1 870	1 870	1 200	435	435
<b>Transport Assets</b>	2 253	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	80 665	107 563	97 258	95 654	113 090	113 090	87 440	93 994	94 483

Table 19 MBRR Table A9 - Asset Management: Asset Management

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	687 954	951 854	–	1 055 851	924 107	1 135 847	–	–	–
Roads Infrastructure	599 484	594 077		702 410	637 168	637 168			
Storm water Infrastructure					–	–			
Electrical Infrastructure	47 089	43 047		63 658	54 655	54 655			
Solid Waste Infrastructure				15 693	12 202	12 202			
Coastal Infrastructure					–	–			
Information and Communication Infrastructure					–	–			
<b>Infrastructure</b>	<b>646 573</b>	<b>637 123</b>	<b>–</b>	<b>781 762</b>	<b>704 025</b>	<b>704 025</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Community Assets</b>		<b>20 782</b>		<b>187 691</b>	<b>91 105</b>	<b>91 105</b>			
Heritage Assets					463	463			
<b>Investment properties</b>					<b>58 240</b>	<b>58 240</b>			
<b>Other Assets</b>		<b>117 332</b>			<b>70 273</b>	<b>70 273</b>			
Biological or Cultivated Assets									
<b>Intangible Assets</b>				<b>291</b>		<b>39</b>			
Computer Equipment				5 006		3 646			
Furniture and Office Equipment				29 144		1 836			
Machinery and Equipment	24 409			42 298		28 904			
Transport Assets	16 971	176 616		9 659		698			
Land						176 616			
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>687 954</b>	<b>951 854</b>	<b>–</b>	<b>1 055 851</b>	<b>924 107</b>	<b>1 135 847</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>EXPENDITURE OTHER ITEMS</b>	58 351	65 959	61 555	67 137	68 356	68 356	67 536	70 643	73 893
<b>Depreciation</b>	<b>47 998</b>	<b>53 654</b>	<b>51 181</b>	<b>56 520</b>	<b>54 830</b>	<b>54 830</b>	<b>54 163</b>	<b>56 655</b>	<b>59 261</b>
<b>Repairs and Maintenance by Asset Class</b>	<b>10 353</b>	<b>12 305</b>	<b>10 374</b>	<b>10 617</b>	<b>13 526</b>	<b>13 526</b>	<b>13 373</b>	<b>13 988</b>	<b>14 632</b>
Roads Infrastructure	946	1 266	2 000	2 000	2 767	2 767	2 892	3 025	3 164
Storm water Infrastructure	–	–	–	–	–	–	–	–	–
Electrical Infrastructure	1 802	1 891	1 000	1 052	2 052	2 052	1 845	1 929	2 018
Solid Waste Infrastructure	1 885	2 538	3 704	3 704	2 864	2 864	2 993	3 131	3 275
Coastal Infrastructure	–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure	–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>	<b>4 633</b>	<b>5 694</b>	<b>6 704</b>	<b>6 756</b>	<b>7 683</b>	<b>7 683</b>	<b>7 729</b>	<b>8 084</b>	<b>8 456</b>
Community Facilities	–	–	–	–	–	–	306	320	335
Sport and Recreation Facilities	–	–	–	–	–	–	–	–	–
<b>Community Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>306</b>	<b>320</b>	<b>335</b>
Heritage Assets	–	–	–	–	–	–	–	–	–
Revenue Generating	–	–	–	–	–	–	–	–	–
Non-revenue Generating	–	–	–	–	–	–	–	–	–
<b>Investment properties</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Operational Buildings	1 432	929	1 000	1 052	1 752	1 752	1 845	1 930	2 019
Housing	–	–	–	–	–	–	–	–	–
<b>Other Assets</b>	<b>1 432</b>	<b>929</b>	<b>1 000</b>	<b>1 052</b>	<b>1 752</b>	<b>1 752</b>	<b>1 845</b>	<b>1 930</b>	<b>2 019</b>
Biological or Cultivated Assets	–	–	–	–	–	–	–	–	–
Servitudes	–	–	–	–	–	–	–	–	–
Licences and Rights	82	–	–	–	–	–	425	444	465
<b>Intangible Assets</b>	<b>82</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>425</b>	<b>444</b>	<b>465</b>
Computer Equipment	–	–	–	–	–	–	–	–	–
Furniture and Office Equipment	–	–	–	–	–	–	–	–	–
Machinery and Equipment	2 405	4 905	1 670	1 757	1 739	1 739	1 214	1 270	1 328
Transport Assets	1 800	777	1 000	1 052	2 352	2 352	1 854	1 940	2 029
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>58 351</b>	<b>65 959</b>	<b>61 555</b>	<b>67 137</b>	<b>68 356</b>	<b>68 356</b>	<b>67 536</b>	<b>70 643</b>	<b>73 893</b>
Renewal and upgrading of Existing Assets as % of total capex	50.4%	47.0%	44.3%	43.4%	60.0%	60.0%	74.0%	78.6%	76.7%
Renewal and upgrading of Existing Assets as % of deprecn	84.6%	94.1%	84.1%	73.4%	123.8%	123.8%	119.4%	130.3%	122.3%
R&M as a % of PPE	1.1%	1.3%	1.0%	1.0%	1.2%	1.2%	1.1%	1.1%	1.0%
Renewal and upgrading and R&M as a % of PPE	7.0%	7.0%	0.0%	5.0%	9.0%	7.0%	0.0%	0.0%	0.0%



**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to construct and/procure new assets, renewal, and upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal and upgrading of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. The renewal and upgrading of existing assets target has been met throughout the MTEF period, however, the achievement of repairs and maintenance target remains a challenge.

Table 20 MBRR Table A10 – Service Delivery

Description	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Household service targets</b>									
Electricity (at least min.service level)	58 750	58 750	-	62 464	62 464	62 464	69 458	73 278	77 235
Electricity - prepaid (min.service level)	-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total	58 750	58 750	-	62 464	62 464	62 464	69 458	73 278	77 235
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	3 000	3 126	-	3 895	3 895	3 895	3 480	3 000	3 162
Below Minimum Service Level sub-total	3 000	3 126	-	3 895	3 895	3 895	3 480	3 000	3 162
<b>Total number of households</b>	<b>61 750</b>	<b>61 876</b>	<b>-</b>	<b>66 359</b>	<b>66 359</b>	<b>66 359</b>	<b>72 938</b>	<b>76 278</b>	<b>80 397</b>
<b>Refuse:</b>									
Removed at least once a week	11 363	11 270	-	16 042	16 042	16 042	11 534	11 534	11 534
Minimum Service Level and Above sub-total	11 363	11 270	-	16 042	16 042	16 042	11 534	11 534	11 534
Removed less frequently than once a week	394	400	-	405	405	405	405	405	405
Using communal refuse dump	1 993	1 993	-	1 993	1 993	1 993	1 993	1 993	1 993
Using own refuse dump	38 712	38 712	-	38 712	38 712	38 712	42 524	42 524	42 524
Other rubbish disposal	703	703	-	703	703	703	703	703	703
No rubbish disposal	8 504	8 504	-	8 504	8 504	8 504	8 504	8 504	8 504
Below Minimum Service Level sub-total	50 306	50 312	-	50 317	50 317	50 317	54 129	54 129	54 129
<b>Total number of households</b>	<b>61 669</b>	<b>61 582</b>	<b>-</b>	<b>66 359</b>	<b>66 359</b>	<b>66 359</b>	<b>65 663</b>	<b>65 663</b>	<b>65 663</b>
<b>Households receiving Free Basic Service</b>									
Electricity/other energy (50kwh per household per month)	-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)	-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>									
Electricity/other energy (50kwh per indigent household per month)	-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)	-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements	-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Highest level of free service provided per household</b>									
Property rates (R value threshold)	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)									
Revenue cost of subsidised services provided (R'000)									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)									
Property rates exemptions, reductions and rebates and impermissible values	8 568	5 628	-	9 586	9 586	9 586	9 017	9 432	9 866
Electricity/other energy (in excess of 50 kwh per indigent household)	-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)	-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>	<b>8 568</b>	<b>5 628</b>	<b>-</b>	<b>9 586</b>	<b>9 586</b>	<b>9 586</b>	<b>9 017</b>	<b>9 432</b>	<b>9 866</b>

## 2 PART 2 – SUPPORTING DOCUMENTATION

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

Section 21 (1) (6) of the MFMA prescribes that the Mayor of a Municipality must at least 10 months before the start of a financial year, table in Council a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and also the review of the Integrated Development Plan.

The municipality intends to conclude the renewal process for the 2020/21 IDP by the end of May 2020. Below is the timetable for the IDP/ budget process for 2020/21 Municipal fiscal year.

#### IDP/Budget Process Plan for the 2020/21 financial year

MONTH	ACTIVITY	Target date
<b>PREPARATORY PHASE</b>		
July 2019	• Review of previous year's IDP/Budget process with MTEF included.	1-31 July 2019
	• EXCO provides political guidance over the budget process and priorities that must inform preparations of the budget.	1-31 July 2019
	• Tabling of the draft 2020-2021 IDP and Budget process plan to IDP steering committee/technical committee for comments and inputs.	09 July 2019

	<ul style="list-style-type: none"> <li>• Tabling of the 2020-2021 IDP and Budget process plan to council structures for approval</li> </ul>	31 August 2019
August 2019	<ul style="list-style-type: none"> <li>• Ward-to-Ward based analysis data collection</li> <li>• 4<sup>th</sup> Quarter Performance Lekgotla</li> <li>• Submit AFS (Annual Financial Statements) for 2018/19 to AG.</li> <li>• Submit 2018/19 cumulative Performance Report to AG &amp; Council Structures</li> </ul>	15 August 2019 -20 September 2019 17 August 2019 31 August 2019 31 August 2019
	<b>ANALYSIS PHASE</b>	
September 2019	<ul style="list-style-type: none"> <li>• Council determines strategic objectives for service delivery through IDP review processes and the development of the next 3 year budget (including review of sector departments plans).</li> <li>• Determine revenue projections and propose tariffs and draft initial allocations per function and department for 2020/21 financial year.</li> <li>• Consult with provincial and national sector departments on sector specific programmes for alignment (schools, libraries, clinics, water, electricity, roads, etc.).</li> <li>• Finalize ward based data compilation for verification in December 2019.</li> </ul>	01 September 2019-December 2019
	<b>STRATEGIES PHASE</b>	
October 2019	<ul style="list-style-type: none"> <li>• Quarterly (1st) review of 2019/20 budget, related policies, amendments (if necessary), any related consultative process.</li> <li>• Collate information from ward based data.</li> <li>• Begin preliminary preparations on proposed budget for 2020/21 financial year with consideration being given to partial performance of 2019/20.</li> <li>• 1ST Quarter Performance Lekgotla (2020/21)</li> </ul>	23 October 2019 1-31 October 2019 1-31 October 2019 23 October 2019
	<b>PROJECTS PHASE</b>	
November 2019	<ul style="list-style-type: none"> <li>• Confirm IDP projects with district and sector departments.</li> </ul>	1-30 November 2019

	<ul style="list-style-type: none"> <li>Engage with sector departments' strategic sessions to test feasibility of attendance to planned sessions.</li> <li>Review and effect changes on initial IDP draft.</li> </ul>	
	<b>INTEGRATION PHASE</b>	
December 2019	<ul style="list-style-type: none"> <li>Consolidated Analysis Phase report in place</li> <li>IDP Steering/technical Committee meeting to present the analysis phase data</li> <li>IDP Representative Forum to present the analysis report</li> </ul>	04 December 2019  05 December 2019  11 December 2019
January 2020	<ul style="list-style-type: none"> <li>Review budget performance and prepare for adjustment</li> <li>Table Draft 2017/18 Annual Report to Council.</li> <li>Submit Draft Annual Report to AG, Provincial Treasury and COGHSTA.</li> <li>Publish Draft Annual Report in the municipal jurisdiction (website etc.).</li> <li>Prepare Oversight Report for the 2018/19 financial year.</li> <li>Mid-Year Performance Lekgotla/Review/Strategic Planning Session, (review of IDP/Budget, related policies and consultative process)</li> </ul>	09-18 January 2020  31 January 2020  16 January 2020
February 2020	<ul style="list-style-type: none"> <li>Mid- year performance bilateral</li> <li>Table Budget Adjustment.</li> <li>Submission of Draft IDP/Budget for 2019/20 to Management.</li> <li>Submission of Draft IDP/Budget and plans to Portfolio Committees.</li> <li>Submission of 2018/19 Adjustment Budget to Budget Steering Committee</li> <li>Adjusted budget/IDP/SDBIP 2019/2020</li> </ul>	7 February 2020  29 February 2020  04 February 2020 12-13 February 2020 15 February 2020  28 February 2020
March 2020	<ul style="list-style-type: none"> <li>mSCOA – capturing of draft budget on the financial system</li> <li>Submission of 2020/21 Draft Budget to Budget Steering Committee</li> <li>Submission of 2020-2021 Draft IDP and Budget to EXCO</li> <li>Council considers the 2020-2021 Draft IDP and Budget.</li> <li>Adoption of Oversight Report for 2018-2019.</li> </ul>	18 March 2019 19 March 2020 24 February 2020  30 March 2020

		30 March 2020
	<b>APPROVAL PHASE</b>	
April 2020	<ul style="list-style-type: none"> <li>• Submit 2020-2021 Draft IDP and Budget to the National Treasury, Provincial Treasury and COGHSTA in both printed &amp; electronic formats.</li> <li>• Publish the 2020-2021 Draft IDP and Budget for public comments.</li> <li>• Quarterly (3rd) review of 2019-2020 budget/IDP and related policies' amendment (if necessary) and related consultative process.</li> <li>• IDP Representative Forum meeting to present the draft 2020-2021 IDP to various stakeholders</li> <li>• Consultation with community and other stakeholder on the draft 2020-2021 IDP/Budget, tariffs, indigents, credit control and free basic services</li> <li>• 3rd Quarter Performance Lekgotla (2019/20)</li> </ul>	06 April 2020 14 April 2020 28 April 2020 12 April 2020 17 April 2020 -10 May 2020 16 April 2020
May 2020	<ul style="list-style-type: none"> <li>• Draft Budget bilateral with LPT</li> <li>• MSCOA – finalize budget capturing on the financial system</li> <li>• Submission of 2020-2021 Final Budget to Budget Steering Committee</li> <li>• Final Budget/IDP/SDBIP 2020/2021</li> <li>• Submission of Final Draft IDP/Budget for 2020/21 to EXCO.</li> <li>• Submission of Final Draft IDP/Budget for 2020/21 to the Council for approval.</li> <li>• Develop Performance Agreements (Performance Plans) of MM, Senior Managers and Middle Managers for 2020-2021 performance year.</li> </ul>	18 May 2020 20 May 2020 21 May 2020 25 May 2020 31 May 2020
June 2020	<ul style="list-style-type: none"> <li>• Submission of the SDBIP to the Mayor.</li> <li>• Submission of 2020-2021 Performance Agreements to the Mayor.</li> <li>• Submission of approved budget, SDBIP and IDP to Treasury</li> </ul>	1-30 June 2020 12 June 2020

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The IDP Process Plan and the Budget Time Schedule for the 2020/21 MTREF was tabled in Council in August 2019.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2020/21 MTREF based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2020/21 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance for 2019/20 financial year. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2020/21 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- The Municipality growth (looking mainly on additional revenue from the new mall and traffic fines)
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, etc)
- Performance trends (2019/20)
- The approved 2019/20 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtors payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for service
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 99 has been taken into consideration in the planning and prioritisation process.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides

a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- National Spatial Development Perspective (NSDP) and
- National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.



### **2.2.1 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty in paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

For the 2020/21 financial year registered indigents have been provided for in the budget and the indigent-base is expected to steadily increase in the MTREF period. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity, free waste removal, as well as special property rates rebates. Special discount on property rates will also be given to pensioners.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement) on.

## **2.3 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.3.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in the past is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money, there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2020/21 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 87 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

### **2.3.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.3.3 Budget Policy**

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **2.3.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007 and the policy has been getting reviewed on annual basis and the changes made now are incorporated and presented in the resolutions paragraph.

### **2.3.5 Budget Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in the past and is getting reviewed every financial year in respect of both Operating and Capital Budget Fund Transfers.

### **2.3.6 Cash Management and Investment Policy**

The municipality's Cash Management and Investment Policy was amended by Council in February 2013. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

### **2.3.7 Tariff Policies**

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation.

All the above policies are available on the municipality's website, as well as the following budget related policies:

- Basic Social Services Package (Indigent Policy), and
- Petty Cash Policy

## **2.4 Overview of budget assumptions**

### **External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

### **Salary increases**

MFMA circular 99 did not stipulate the salary increase projection and as a result, the Facilitator's proposal on salary and wage collective agreement was used. The Facilitator proposed the salary increase to be as follows:

- 2020/21 – 6.2% increase
- 2021/22 – CPI 4.6%
- 2022/23 – CPI 4.6%

Comparing the increase from 2019/20 financial year to 2020/21 financial year, the movement is slightly higher than the assumed salary increase percentage and this is due to other municipal officials who are on fixed term contract and these employees are expected to move to the last salary notch.

### **Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

Table 56 MBRR Table SA36–Capital project list

Municipal Vote	Program/Project description	2020/21 Medium Term Revenue &		
		Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Technical Services	Electrification Designs			
	Electrification of Mashemong	10 494 000		
	Electrification of Ntswelemutse	2 430 000		
	Electrification of Masakaneng	5 100 000		5 000 000
	Electrification of Zuma Park	1 976 000		
	Electrification of Sephaku New Stand		1 500 000	
	Electrification of Ga Posa		1 000 000	
	Electrification of Thabakhubedu		850 000	
	Electrification of Vlakfontein		6 799 999	
	Electrification of Kwa-Pundulwane			1 200 000
	Electrification of Matlala Lehwelere		3 450 000	
	Electrification of Maleoskop		3 300 000	
	Electrification of Lenkwaneng section/ ZCC			1 200 000
	Electrification of Ntwane			600 000
	Mpheleng Road Construction			9 954 000
	Kgoshi Rammupudu Road	16 500 000		
	Upgrading of Bloompoot to Uitspanning Access Road		13 000 000	35 000 000
	Upgrading of Dipakapakeng Access Road		21 459 000	
	Upgrading of Tafelkop stadium Access Road		13 648 000	28 752 000
	Upgrading of Mogaung Road	15 750 000		
	Air Conditioner	350 000		
	Fencing of Groblersdal Substation		300 000	
	Machinery and Equipment(tools)	500 000	434 783	434 783
	Groblersdal Roads and Streets		4 347 826	5 217 391
	Motetema Internal Streets	7 629 390	5 217 391	1 512 287
	Culverts, road signs		2 074 752	1 965 974
	Instalation of high mast light in various villages		1 512 287	2 646 503
	Kgapamadi road	3 500 000		
	Tambo Road Construction	14 781 000		
	Upgrading of Hlogotlou internal streets		3 000 000	
	Upgrading of Nyakurone Anternal Access Road	900 000	11 100 000	
	Groblersdal Landfill site	4 030 000		
Corporate Services	Furniture and Office Equipment	800 000	500 000	500 000
	Computer Equipment	150 000	500 000	500 000
Community Services	Upgrading of Parks	1 000 000		
	Mobile Offices Traffic	600 000	-	-
	Fencing of Elandsdoorn Cemetery	600 000		
Finance	FORKLIFT	350 000		
<b>Parent Capital expenditure</b>		<b>87 440 390</b>	<b>93 994 038</b>	<b>94 482 938</b>

**Quality certificate**

I, **MESHACK MAHLAGAUME KGWALE**, the Acting Municipal Manager of **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**, hereby certify that the 2020/21 annual budget and supporting documentations have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the integrated development plan.